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U.S. Study Contradicts CIA's Prediction Of Energy Shortages, Price Rises by 1985

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WASHINGTON — A new government study of world energy supplies sharply contradicts a recent forecast by the Central Intelligence Agency of severe shortages and sharp price increases by 1985.

The new study, by the International Trade Commission, an independent federal agency, optimistically predicts that world demand for oil won't outstrip supply by 1985. Consequently, the study concludes that oil prices will rise only as fast as the general rate of inflation, instead of shooting up as nations scramble for short supplies, which is what the CIA predicted. Still, at an annual inflation rate of 5.5% forecast in the study, a barrel of oil that currently costs $12.70 would cost $20.00 in 1985.

The conclusions of the ITC study are as surprisingly optimistic as those of the CIA were pessimistic. Because the CIA report was released on the eve of President Carter's April 20 energy message, many dismissed it as a White House maneuver to startle Americans into supporting the President's tough energy measures. But the ITC has raised questions about the reliability of its own predictions by ignoring international political factors that could affect world oil supplies.

Asked what the public should conclude from these two widely divergent studies, ITC Chairman Daniel Minchew said: "I guess people will think the government doesn't have a monopoly on expertise."

Different Assumptions

At the heart of the difference between the ITC and CIA conclusions is a disagreement over the Soviet Union's demand for oil and Saudi Arabia's willingness to increase its production.

Behind the ITC's optimistic conclusion that there won't be a shortage in 1985 are two assumptions: that the Soviet Union will be self-sufficient in oil and that Saudi Arabia, the largest Arab oil producer, will continue to increase its production to keep pace with world demand.

The CIA disagreed with both assumptions. Its most startling prediction was that the Soviet Union, which currently exports one million barrels of oil a day, will by 1985 need to import 3.5 million to 4.5 million barrels of oil a day for its own use and that of its Eastern European allies. The CIA also concluded that Saudi Arabia, the nation with the greatest capacity to increase oil production, probably wouldn't be willing to match world demand because the Saudis haven't any immediate need for more money and would prefer to conserve their valuable resource.

The ITC report notes the difference between its conclusions on Soviet oil production and those of the CIA and quotes CIA director Stansfield Turner as saying the CIA report is based on "highly sensitive intelligence sources unavailable to anybody else." Still, the ITC concludes that the Soviet Union will be able to increase its oil production beyond levels predicted by the CIA by using new recovery methods and by drilling offshore. The Soviet Union's outer continental shelf, the report notes, is believed to be the only remaining area where vast reservoirs of oil and gas, similar to those in the Middle East, may yet be found.

Conservation Measures

As for the rest of the world, the ITC report concludes that conservation measures will slow the increase in demand for energy in the U.S., Western Europe and Japan. Beyond that, oil production will increase in the U.S., Western Europe and other non-Arab nations, including Mexico, the report says.

All this means that oil production by the Organization of Petroleum Exporting Countries won't be significantly greater in 1985 than the 30.4 million barrels a day produced in 1976, the report concludes.

In the U.S., for instance, oil imports, currently at nine million barrels a day, will drop to 7.2 million barrels a day in 1985, the report predicts. That's sharply below the 12 million to 15 million barrels forecast by the CIA study for 1985. The decline predicted by the ITC is due to conservation and to increased production offshore and in Alaska.

The ITC assumes that OPEC won't arbitrarily increase prices again before 1985 as it did in 1973-74, when oil prices quadrupled. The reason: if oil prices rise too high, the ITC believes alternate energy sources, such as oil from shale or from coal, would become economical to produce and thereby reduce demand for conventional oil.